

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1124 - HB 1209

March 10, 2015

SUMMARY OF BILL: Requires the state to establish and operate an American Health Benefit Exchange or any other health insurance exchange in the state under the Patient Protection and Affordable Care Act (PPACA). The state exchange will replace and succeed any federally facilitated health insurance exchange that operates in the state. Application of the proposed legislation is dependent on the United States Supreme Court ruling in *King v. Burwell* (Docket No. 14-114) that the Internal Revenue Service (IRS) may not promulgate regulations to extend tax credit subsidies to coverage purchased through exchanges established by the federal government under Section 1321 of the PPACA, as amended.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – An exact impact cannot be determined because the provisions of the bill are dependent on a future ruling by the U.S. Supreme Court. If the state were to run a State Health Insurance Exchange, it is estimated to result in increased state expenditures of \$34,965,000 and federal expenditures of \$65,035,000.

Assumptions:

- Currently, the State of Tennessee does not operate a State Health Insurance Exchange under the PPACA.
- There are currently 14 states and the District of Columbia that fully operate state-run Exchanges or Marketplaces and three states with state-run authority while using the federal website.
- The requirement to establish and operate a state-run exchange is dependent on the U.S. Supreme Court ruling in *King v. Burwell* (Docket No. 14-114) that the Internal Revenue Service (IRS) may not promulgate regulations to extend tax credit subsidies to coverage purchased through exchanges established by the federal government under Section 1321 of the PPACA, as amended.
- It is unknown how the Supreme Court will rule and when the state-run exchange would be implemented.
- The Bureau of TennCare researched the costs incurred by the states that currently operate a state-run Exchange and estimate a state-run exchange will result in increased expenditures exceeding \$100,000,000.
- These expenditures will receive federal matching funds of 65.035 percent and state funds will be 34.965 percent.
- The increase in state expenditures will be \$34,965,000 ($\$100,000,000 \times 0.34965$).

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- The increase in federal expenditures will be \$65,035,000 ($\$100,000,000 \times 0.65035$)

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

/kml